

MAURITANIA
COUNTRY COMMERCIAL GUIDE

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Prepared by U.S. Embassy Nouakchott

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY	5
COMMERCIAL ENVIRONMENT	6
MAJOR BUSINESS OPPORTUNITIES	6
EMBASSY ASSISTANCE	6
II. ECONOMIC TRENDS AND OUTLOOK	8
MAJOR TRENDS AND OUTLOOK	8
PRINCIPAL GROWTH SECTORS	9
OFFSHORE PETROLEUM.....	9
MINING.....	10
Fishing.....	11
Agriculture and Livestock.....	12
GOVERNMENT ROLE IN THE ECONOMY	13
MONETARY AND FINANCIAL SECTOR REFORM.....	14
BALANCE OF PAYMENTS	14
Foreign Trade.....	15
Foreign investment.....	15
ADEQUACY OF THE INFRASTRUCTURE SYSTEM	16
Air transport infrastructure.....	16
Roads.....	16
Maritime transport.....	17
Media	17
Telecommunications	17
MAJOR INFRASTRUCTURE PROJECTS UNDERWAY	18
Road projects	18
Power Generation.....	18
WATER projects.....	19
III. POLITICAL ENVIRONMENT	20
OVERVIEW	20
MAURITANIA’S RELATIONSHIP WITH THE UNITED STATES	20
MAURITANIA’S POLITICAL SYSTEM	20
CIVIL SOCIETY AND BUSINESS-TO-GOVERNMENT DIALOGUE	22
IV. MARKETING U.S. PRODUCTS AND SERVICES	23
ESTABLISHING A LOCAL OFFICE	23
CREATING A JOINT VENTURE	23
USE OF AGENTS/DISTRIBUTORS	23
FINDING A LOCAL PARTNER AND ATTORNEY	23
DISTRIBUTION AND SALES CHANNELS	23

SELLING FACTORS/TECHNIQUES	24
ADVERTISING AND TRADE PROMOTION	24
GOVERNMENT PROCUREMENT PRACTICES	25
V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT	27
BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES	27
OFFSHORE PETROLEUM.....	27
MINING.....	28
TOURISM.....	28
BEST PROSPECTS FOR AGRICULTURAL PRODUCTS	29
VI. TRADE REGULATIONS AND STANDARDS	30
TARIFF AND NON-TARIFF BARRIERS	30
CUSTOMS REGULATIONS AND CONTACT INFORMATION	30
TARIFF RATES	30
PROHIBITED IMPORTS AND U.S.-IMPOSED EXPORT CONTROLS	31
SPECIAL IMPORT/EXPORT REQUIREMENTS AND CERTIFICATIONS	31
FREE TRADE ZONES	31
ORGANIZATION	31
VII. INVESTMENT CLIMATE	34
OPENNESS TO FOREIGN INVESTMENT	34
GOVERNMENT ATTITUDE TOWARD FOREIGN DIRECT INVESTMENT	34
LAWS, RULES AND REGULATIONS GOVERNING INVESTMENT	34
SCREENING MECHANISMS FOR FOREIGN INVESTMENT.....	35
SECTORAL OR GEOGRAPHIC PREFERENCES	35
DISCRIMINATION AGAINST FOREIGN INVESTORS	35
DISCRIMINATORY OR PREFERENTIAL IMPORT/EXPORT POLICIES FOR FOREIGN INVESTMENT	35
CONVERSION AND TRANSFER POLICIES	36
EXPROPRIATION AND COMPENSATION	36
DISPUTE SETTLEMENT	36
PERFORMANCE REQUIREMENTS/INCENTIVES.....	36
RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT	37
PROTECTION OF PROPERTY RIGHTS	37
TRANSPARENCY OF THE REGULATORY SYSTEM.....	37
EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT	38
POLITICAL VIOLENCE	38
CORRUPTION	38
BILATERAL INVESTMENT AGREEMENTS	38
OPIC	39
LABOR	39
FOREIGN TRADE ZONES/FREE PORTS	39
VIII. TRADE AND PROJECT FINANCING	40

BRIEF DESCRIPTION OF THE BANKING SYSTEM.....	40
FOREIGN EXCHANGE CONTROLS AFFECTING TRADE	40
GENERAL AVAILABILITY OF FINANCING	40
FINANCING AND METHODS OF PAYMENT TO EXPORT FROM MAURITANIA.....	40
AVAILABILITY OF PROJECT FINANCING FROM MULTILATERAL SOURCES ...	41
TYPES OF PROJECTS RECEIVING FINANCING SUPPORT.....	41
BANKS WITH CORRESPONDENT U.S. BANKING ARRANGEMENTS.....	41
<i>IX. BUSINESS TRAVEL</i>	<i>42</i>
BUSINESS CUSTOMS	42
TRAVEL ADVISORY AND VISAS.....	42
HOLIDAYS.....	42
WORK WEEK.....	43
LANGUAGE.....	43
HOUSING.....	43
HOTELS	43
HEALTH	44
TEMPORARY ENTRY OF GOODS.....	44
<i>X. ECONOMIC AND TRADE STATISTICS.....</i>	<i>45</i>
COUNTRY DATA.....	45
DOMESTIC ECONOMY	45
TRADE	46
<i>XI. U.S. AND COUNTRY CONTACTS.....</i>	<i>47</i>
U.S. MISSION IN MAURITANIA	47
USEFUL CONTACTS IN THE UNITED STATES	47
MAURITANIAN GOVERNMENT AGENCIES.....	47
MAURITANIAN PRIVATE AGENCIES	49
INTERNATIONAL INSTITUTIONS	49
COMMERCIAL BANKS.....	50
AMERICAN COMPANIES AND TRADEMARKS REPRESENTED IN MAURITANIA	51
<i>XII. MARKET RESEARCH.....</i>	<i>53</i>
Upcoming Industry Sector Analyses (ISA):	53
<i>XIII. TRADE EVENT SCHEDULE</i>	<i>53</i>

I. EXECUTIVE SUMMARY

OVERVIEW

Country Commercial Guides (CCGs), prepared annually or semi-annually at most U.S. Embassies, are designed to provide comprehensive overviews of the commercial situation in different countries. CCGs were established on the recommendation of a U.S. Government task force, the Trade Promotion Coordinating Committee, to consolidate various reporting documents of interest to the U.S. business community.

U.S. exporters seeking general export information and assistance, or country-specific commercial information, should consult with their nearest Export Assistance Center or the U.S. Department of Commerce's Trade Information Center at (800) USA-TRADE, or go to one of the following web sites: www.export.gov or www.buyusa.com

Mauritania is a Sahelian country of crosscutting Arab and African influences. Despite limited resources, it is seeking to surmount a history of nomadic poverty, Arab nationalism, and state-centered policies by building a sedentary, urbanized society, a pluralist democracy, and a market-based economy.

Twice the size of France (1.09 million sq. km) but with only 2.75 million people, Mauritania has the world's third lowest population density after Mongolia and Namibia. Located at the western edge of the Sahara with 500 miles of Atlantic coastline, Mauritania shares borders with the Western Sahara and Algeria to the north, Mali to the east and south, and Senegal to the south. The country is about 90% desert.

At independence in 1960, about 85% of the population was nomadic. Today only about 5% remain nomads, and fully one-third of the population lives in Nouakchott, the capital. About 70 percent are Arabic-speaking Moors (30 percent "white Moors" and 40 percent "black"), the remainder being drawn from the southern-based, African ethnic groups: Pulaar, Soninke, and Wolof. Virtually all are Sunni Muslims.

Mauritania forms a geographical link between North and Sub-Saharan Africa, associated with a long historical tradition of north-south trade, and a culture favorable to free markets, personal mobility and entrepreneurship. Mauritania offers a small but rapidly growing market, with a GDP per capita estimated at about \$380 in 2003. Offshore oil production, expected to start by early 2006, should stimulate local economic growth. Oil revenues are expected to increase the government budget by an initial 50 percent, a figure that will increase further when cost recovery is complete.

The Government of the Islamic Republic of Mauritania has, over the past decade, become increasingly open to foreign trade and investment. With the support of the World Bank, the International Monetary Fund (IMF) and other donors, the Government has liberalized the exchange system, reformed the fiscal and financial systems, and privatized a number of parastatals. The country's economic performance continues to improve, as reflected in Mauritania's inclusion in the Heavily Indebted Poor Countries (HIPC) Initiative in 2002. Real GDP growth was 3.3 percent in 2002, rising to 5.4 percent in 2003. These figures are impressive particularly in light of the repeated exogenous shocks the country experienced during this period, including severe drought, export declines, and the continuing depreciation of the national currency, the Ouguiya.

Mauritania is highly trade-dependent: in 2003, exports and imports as a percentage of GDP reached 36 and 72 percent, respectively. Almost all the country's consumer goods are imported, covered only partially by exports -- principally iron ore and fish. The deficits are covered by substantial foreign aid, both grants and loans. Aid is essential not only for capital development but for government operating expenses and the country's food subsistence needs. In addition to the major multilateral institutions and the G-8 countries, Mauritania also receives significant aid from the Arab world.

Mauritania's foreign trade has been heavily oriented towards Europe and, increasingly, Asia. Trade with the United States has been relatively very small, but has grown significantly in recent years. The U.S. share of total imports grew from 7 to 11 percent between 2002 and 2003, placing the U.S. fourth among Mauritania's leading suppliers. Greater equipment and vehicle purchases by the national mining company (Société Nationale Industrielle et Minière or SNIM) -- America's best customer in Mauritania -- accounted for most of the increase.

COMMERCIAL ENVIRONMENT

The commercial environment for U.S. trade and investment is favorable. Mauritania's liberal economic policies, coupled with the advent of petroleum production and exports, should favor continuing capital inflows and economic growth. A number of U.S. companies already have representatives in Mauritania, and many local companies are interested in joint ventures with U.S. firms.

MAJOR BUSINESS OPPORTUNITIES

Over the next ten to twenty years, Mauritania's oil and gas sector should offer major opportunities for American contractors and suppliers. More immediately, the Aftout Essaheli project, a massive \$250 million scheme to bring water from the Senegal River to Nouakchott, the capital, will require imported pipelines, pumping and treatment plants, and other inputs. Other upcoming government projects include the construction of a new international airport for Nouakchott and the privatization of the electricity parastatal (SOMELEC). Mineral prospecting, electrical equipment and power generation, waterworks and new information technologies generally offer potential for U.S. companies.

The declining dollar and rising Euro have made U.S. imports especially attractive, and many companies are seeking substitutes for the expensive goods offered by their traditional suppliers. American mining and construction equipment, cigarettes, electronics, and used and new clothing have taken significant market shares. Mauritania's new investment code is intended to encourage foreign investment and joint ventures, and the GOVERNMENT has been keen to find U.S. companies interested in mineral prospecting and participation in the various privatization programs. Projects funded by international financial institutions (IFIs) also offer opportunities in the areas of construction, irrigation, communications, and consulting.

EMBASSY ASSISTANCE

Embassy Nouakchott is dedicated to offering assistance and advice to American businesspeople seeking information on trade and investment opportunities in Mauritania. The Embassy's Economic/Commercial Officer and Assistant can be reached Sunday-

Thursday by telephone at [222] 525-2660/63 or [222] 25-1141/45. Commercial queries can be faxed to [222] 525-15-92 or emailed to moseleykp@state.gov or sowei@state.gov. Companies seeking to do business in Mauritania are encouraged to copy the Embassy on significant correspondence. The Embassy is now involved in the creation of a U.S.-Mauritanian Business Council and an associated website, which should do much to encourage U.S. trade, facilitate contacts, and transmit useful news and information.

II. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

Mauritania possesses some of the world's richest fishing grounds, some of the world's finest grade iron ore, exceptional but as yet unexploited gypsum deposits, and now proven, commercially viable offshore petroleum reserves. A consortium led by Australia's Woodside Mauritania and Hardman Resources will begin to extract oil from the Chinguetti field, located about 90 km. west of Nouakchott, by early 2006. An aggressive exploration program remains underway, aimed not only at petroleum but also at gas, of which some 4 trillion cubic feet have been identified so far.

Reinforced by the good news from the petroleum sector, the outlook for 2004-05 is positive, with even greater improvements expected when oil production comes on line in 2006. Since 1992, the GOVERNMENT has pursued an economic reform program supported by its major development partners (IBRD, IMF, Paris Club members and African Development Bank), entailing restraints on government spending and increased tax revenues. Continuing reforms in taxation and public revenue management are key goals in the 2004 program, which targets a GDP growth rate of 6.1 percent. Severe locust invasions in mid-2004 may make this target difficult to attain.

The Government has also made continuing efforts to restrain inflation which -- given prudent fiscal and monetary policies -- was expected by the Government to average around 4 percent in 2004-05. Again, unforeseen factors (spiraling fuel prices and a deteriorating real value of the ouguiya) had already pushed inflation closer to 10 percent by August 2004. The banking system is still in need of reform: credit remains scarce, interest rates are high, and foreign exchange has tended to flow into the hands of speculators to the detriment of legitimate businessmen.

The Government is continuing to reinforce an open trade regime: the average tariff in 2004 is estimated at about 22 percent. The new Investment Code is intended to attract foreign investors and encourage the creation of joint ventures with local entrepreneurs. In addition to economic liberalization, sectoral diversification and poverty reduction have also been identified as leading goals by the Government. The World Bank-supported Poverty Reduction Strategy Paper has, in fact, become an overall matrix guiding government expenditures and project formulation. The new revenues, employment and spin-off effects that will accompany the advent of oil production should also help lift incomes and diversify economic activities. A major challenge is to encourage government commitment to the principle of transparency, so that future petroleum revenues will be used for poverty reduction, development, and other social and infrastructure investments that will benefit the Mauritanian people as a whole.

For the meantime, the Mauritanian economy remains highly exposed to exogenous shocks. It has a narrow export resource base, with 98% of its export revenues coming from fish and iron ore. It has run balance of trade deficits in most years, and is heavily dependent on external assistance. Despite the liberal business environment, foreign direct investment remains limited, apart from the telecommunications and, recently, the energy sectors. The banking system is highly concentrated and controlled by a few business individuals and groups, limiting access to bank credits and payment facilities by those who are not closely associated with commercial banks. Difficulties persist in the

operations of the foreign exchange market and the banking law has not been strictly applied.

An important part of the population depends on agriculture and herding for subsistence, and is thus vulnerable to the droughts, floods, locusts and other pests that periodically assail the Mauritanian countryside.

PRINCIPAL GROWTH SECTORS

Although exact figures are unavailable, the following sectors have played a key role in the country's economic growth in recent years and are poised to do so in the near future.

OFFSHORE PETROLEUM

U.S. companies, starting in the 1960s, long played a leading role in oil exploration in Mauritania. After what was thought at the time, however, to be unpromising finds, they gradually withdrew. A second wave of prospecting began in the 1990s, initially led by Hardman Resources of Australia. By then, more favorable government policies, new technologies and higher world oil prices had radically changed the picture, and a number of other companies rapidly joined the consortia that formed to explore Mauritania's offshore Blocks 1 through 8. To date, the majority share partners and operators of these Production Sharing Contracts (PSCs), have been either Australia's Woodside Petroleum (Blocks 2-6) or Dana Petroleum of the U.K. (Blocks 1, 7 and 8).

Since 2001, exploratory drilling has revealed increasingly significant deposits of offshore oil, first in the Chinguetti field (block 4), then in nearby Tiof (both controlled by Woodside-led PSCs). Substantial gas reserves have also been identified in Woodside's Banda and in Dana's Pelican fields, estimated at 1 and 3 trillion cubic feet, respectively. In January 2004, Woodside announced the commercial viability of Chinguetti, estimated to hold 142 million barrels of oil. Production should take off in the first quarter of 2006, with an expected initial flow of 75,000 barrels a day over a 7 to 10 year period. Current investment costs, covering both new production wells and infrastructure, and a new round of exploratory drilling, are running at \$600 million.

Prospects for further growth in the offshore petroleum sector are excellent. In addition to the major new exploration program already underway, a second phase of drilling, expected to cost another \$150 million, is likely to begin in the second or third year of production. The Tiof reserves, moreover, are already expected to be anywhere from two to four times greater than in Chinguetti. If tests are positive, the fields could be in production by 2007, providing the Chinguetti installations with a major additional production hub. Industry sources are also fairly confident that future discoveries will make commercial production of gas a reality as well.

At current price levels, liquefied natural gas (LNG) production would be feasible once another 3 million cubic feet are found -- not unlikely in these vast offshore tracts, some four times larger than the North Sea fields. Aware of the area's gas potential, British Gas bought into Hardman's Mauritanian holdings in early 2004. In July, Wintershall AG, the leading German oil and gas concern, acquired a 40 percent share in Dana Petroleum's Block 8.

The Mauritanian government has been very hospitable to oil exploration, and is eager for production to begin as soon as possible. As requested by the industry, it recently approved key legislation establishing a Simplified Tax Regime for the oil sector, allowing contract awards and investments to move forward on schedule. It is not yet clear if the government will choose to simply be a recipient of royalties or if it will use its assets to buy into the industry as an investment partner. In any case, the Ministry of Mines is actively increasing its administrative and technical expertise in the petroleum area: in March 2004, a Director was appointed for the Ministry's new Chinguetti Project office, and recruitment of additional support staff is currently underway.

MINING

In spite of heavy global competition and occasional price declines, the mining sector continues to be Mauritania's largest foreign exchange generator, accounting in 2002 for 9.3 percent of Mauritania's GDP. Virtually all mineral exports consist of iron ore, of which Mauritania has exceptional deposits estimated to include 190 million metric tons of naturally rich iron ore (66 percent iron content), as well as billions of tons of lower-quality ore. These deposits are exploited by the Société Nationale Industrielle et Minière (SNIM), in which the Mauritanian state has an 80 percent stake. The Islamic Bank and investors from Iraq, Jordan and Kuwaiti own the remaining shares. With almost 4,000 employees, SNIM is by far the largest business in Mauritania.

Mauritania ranks as the 15th largest iron ore producer worldwide, its annual exports of 10-11,000 tons falling far behind the more than 200,000 tons marketed by Brazil, for instance, or even the 50,000 tons produced in the United States. But a large proportion of its reserves are of very high quality (over 60 percent metal content), attracting relatively high prices, profits, and demand. Production is centered on Zouérate, a classic company town, where SNIM's repair and machine-building shops service the mine's massive trucks and drills. Its railroad, pulled by American-made engine cars, carry the ore 700 km. to the mineral port at Nouadibou. Proven reserves in early 2003 were 190 million tons of naturally rich ore and 660 million tons of ferruginous quartzite – yielding a predicted 12 million tons a year for a good century to come.

In 2002, SNIM exported 10.4 million tons of ore, generating \$184 million in sales and accounting for 56 percent of Mauritania's total exports. Good management, sustained investments in equipment and training and increased worker productivity have buoyed SNIM's performance even in years of poor prices and demand. Low prices led to a slight drop in exports, to 9.6 million tons, in 2003. In 2004, however, thanks especially to rising Chinese demand, world iron prices rebounded by 25 percent. This is good news for American exporters: in 2003, SNIM purchased \$23 million in equipment and spare parts from U.S. companies, representing 32 percent of the company's total imports. The company plans to purchase goods worth at least \$35 million from the U.S. in 2004.

Apart from the SNIM holdings, the Mauritanian government -- as is the case with offshore oil and gas -- encourages private investment in onshore mineral exploration and production. One focus of activity is in the area of Guelb Moghrein, near the northern town of Akjoujt, once a major center for copper mining. Gold was mined there in subsequent years, yielding up to 5.9 tons from 1992 to 1996. In June and July 2004, the Emirati company Wadi Al Rawda and Canada's First Quantum signed an agreement with the Mauritanian authorities to revive copper and gold production at Guelb Moghrein,

where work is slated to start by early 2005. Mauritania is estimated to still have 23 million metric tons of copper reserves.

A number of foreign companies have acquired exploration permits, focused on copper, gold, diamonds and oil. The French oil firm, Total, has acquired large concession tracts in the Taoudenni Basin of central Mauritania, where petroleum exploration contracts have also been granted to Wintershall (German), Repsol (Spanish), and CNTI (Chinese). Other companies are currently negotiating for onshore petroleum exploration rights, such as Sphere Investments (Australia). Other mineral prospectors include BHP Minerals (American), Rex Diamond Mining Corporation (Canadian), FMC Technologies (American), Defiance Mining (Canada), Hardman Resources (Australia), Ashton West Africa Property Ltd. (Australian), Diamet minerals (Australia), La Source (French), Groupment Burns Trading Pty Ltd. (Australia), and Wadi Al Rawda (UAE).

Mauritania also has significant reserves of salt (450 million metric tons), which is mined traditionally at a number of locations, phosphates (160 million metric tons), and the world's largest deposits of gypsum (9 billion metric tons). Exploitation of gypsum, located in Mauritania's south-central area, has been inhibited by the still prohibitive cost of transportation to the coast. Given rising world prices and demand, commercialization of Mauritania's gypsum reserves is probably a matter of time.

CONSTRUCTION

In 2002, the construction sector contributed 7.5 percent of Mauritania's GDP and employed more than 12,000 workers. Apart from road construction, activity is focused on buildings in the cities of Nouakchott and Nouadhibou. The manufacturing sector is limited to small and medium-sized industries operating in fish processing, chemicals and plastics, food and beverages (including two successful dairy firms), metal products, building materials, furniture, and gypsum-based plaster. In 2002, this sector contributed 4.4 percent of GDP. It faces serious problems, including high energy costs, high taxes on imported raw materials, limited bank credit, and aggressive competition from often lower-priced, higher-quality imported goods.

FISHING

Along its 754 km Atlantic coastline, Mauritania enjoys a 200-mile Exclusive Economic Zone (EEZ) that contains some of the world's richest fishing grounds. Accounting for \$121.3 million in exports, the fishing sector was the country's second largest foreign exchange earner in 2002. Fishing income went down last year, however, and is expected to go down further in 2004. The sector suffers especially from overfishing (affecting cephalopods, in particular) and an aging and poorly maintained local fleet.

In response, the Mauritanian government has extended the offshore Exclusion Zone from 6 miles to 12, improved its surveillance capacities, and extended the no-fishing biological reproduction period from 30 to 60 days (September 1-October 31) each year. Initially restricted to deep-water fishing, the temporary ban ("repos biologique") was extended in 2004 to cover pelagic fishing in some zones close to shore. Despite these efforts, experts believe Mauritanian waters are still being over-fished, with some species (octopus, squid and cuttlefish) in actual decline.

Mauritania's total annual catch is estimated at 500,000 tons, of which a large part is exported directly, without offloading, to destinations overseas. A majority of the 300 or so ships that trawl Mauritania's EEZ are devoted to cephalopods and other deep water species; the rest are divided between pelagic fishing, on the one hand, shrimp and lobster, on the other, with some 50 or 60 ships each.

The Mauritanian fleet is largely composed of about 140 old Chinese-made boats and focused primarily on deepwater fishing. Effective modernization has been inhibited by a rule limiting foreign shares in fishing boats to 49 percent -- an exception to Mauritania's otherwise liberal investment laws. Given the problems affecting its own fishing sector, the Mauritanian government has signed a series of agreements granting fishing rights to the European Union fleet. The 2001-2006 agreement increased the total compensation from 267 million to 430 million Euros, barred EU ships from coastal zones now reserved to traditional fishermen, but increased the number of authorized trawlers to 137. Another 20-30 foreign ships, mainly Eastern European, are licensed to fish in Mauritanian waters.

The Mauritanian Government has encouraged onshore fish processing, to increase employment and generate value added. Mauritanian exporters began exporting frozen fish in the 1980s, adding additional processing stages in the following decade. There are now about 15 medium-sized processors, located largely in the northern port town of Nouadhibou. Processors enjoy government support, fairly easy access to land, and inexpensive manpower. They are under pressure, however, to improve standards: Mauritania's Oceanographic and Fisheries Institute, "IMROP," which works closely with the EU and Japan, is a key agent in the enforcement of quality and sanitary controls.

The fishing sector offers a variety of opportunities for U.S. sales. Many processors, eager to modernize and expand their plants, would welcome more sophisticated equipment and or investment partners from the United States. Many nationally-owned boats are old and due for replacement: new or used boats from the U.S. might find a market here. U.S. companies may also become joint owners with Mauritanian partners in fishing ventures, though they would be limited to a 49 percent share.

Given the strategic importance of Mauritania's fishing sector, the World Bank has targeted it for private sector development and reform. The 2004 and 2005 macroeconomic strategy includes measures to encourage joint ventures, upgrade the local fishing fleet, and improve marine resource management and monitoring. The Mauritanian government has backed a number of infrastructure developments such as the Nouadhibou port extension, warehouse development, and the construction of a new harbor for artisanal fishing, partially financed by Japan. The Japanese (leading consumers of Mauritanian cephalopods), along with the EU and African Development Bank (AFDB), are also backing projects to improve fishing techniques and equipment, marketing, and conservation and packaging in the traditional sector -- which produces less revenue than industrial fishing but generates far more jobs.

AGRICULTURE AND LIVESTOCK

Located in the Western Sahara, Mauritania is 80 to 90 percent desert. This is a moving proportion, one that shifted upward with the catastrophic drought of the 1970s, and periodically rises again during years of poor rainfall -- as in 2002-2003. Agriculture and herding continue to play an important role, generating 20 percent of GDP in 2002 and employing about 43 percent of the labor force. However, Mauritania's cereal production continues to be far from sufficient to meet the population's needs. Despite good rains

and harvests in 2003-2004, with a total net production of 132,625 metric tons, an 81,159 metric tons deficit remained (though this is small compared to the 204,589 metric ton deficit of 2002-03). Commercial food imports continue to be extremely high: 319,864 metric tons in 2003-2004.

Although self-sufficiency may be untenable in a desert country like Mauritania, agricultural development is given high priority by both government and donors. Oasis farming, although given much attention, is oriented to subsistence production and for relatively small populations. Greater hopes are focused on the Senegal River Valley, where virtually all the country's arable land is located. Government irrigation schemes, backed by an 11-year World Bank support program, include rehabilitation of a projected 11,000 hectares of cultivable land along the river. Mauritania, Senegal, and Mali also collaborate in the Senegal River Valley Development Organization (OMVS), which has constructed large-scale dams in Diama (Senegal) and Manantali (Mali) for irrigation and generation of electrical power.

Irrigation and land reform laws, designed to allow both local farmers and outside investors to take advantage of irrigation projects, have encouraged expanded commercial production, especially of rice and millet, in the valley area. At the same time, recurrent drought has pushed migrant herders and their livestock towards the south, creating pressure on local farmers and stimulating large-scale fencing to protect croplands from marauding herds. Estimated livestock (in thousand of heads) at end-2002 were: sheep and goats (14.1 million), cattle (1.7 million) and camels (1.4 million). These numbers can fluctuate sharply, declining, for instance, following the severe drought of 2002-2003. Nonetheless, Mauritania has several thriving dairy companies, led by Taviski and Top-Lait, producing fresh and long-life dairy products including milk, yogurt and even camel cheese.

GOVERNMENT ROLE IN THE ECONOMY

The Mauritanian government, with major IFI and other donor support, has made economic liberalization, along with growth and poverty-reduction, a cornerstone of its economic programs over the past decade. Significant progress has been made with respect to privatization of state-owned companies (e.g., insurance, fish export marketing, petroleum marketing, national airlines, and telecommunications), although, due to the weight of those that remain (particularly SNIM, SOMELEC and the ports), state-owned companies still account for almost a quarter of GDP. The privatization of SOMELEC, the national electricity company, was slated for 2003; postponed for technical reasons, it will be re-launched with World Bank assistance, in 2004-05.

Having established a good performance track record on structural adjustment, Mauritania was declared eligible for debt relief under the Heavy Indebted Poor Countries (HIPC) Initiative, reaching its completion point under the enhanced HIPC framework in June 2002. As a result, Mauritania has received approximately \$1.1 billion in debt relief, or almost one half its total public debt as of fall 2000. Debt service payments have been reduced by more than half, falling to a projected \$39 million a year during the 2002-2011 period. Debt service, similarly, has been reduced from 35 percent of government revenues in 1998 to an annual average of only 11 percent. The additional resources this makes available should be committed to poverty alleviation, health, education and other development programs.

In almost all large-scale development projects, even where large-scale external funding is involved, the Government still plays a leading role. In 2003-04, Mauritania received \$250 million, for instance, for the Aftout Essaheli water project, provided mainly by the Arab Fund for Economic and Social Development (FADES), the Islamic Development Bank and the Saudi Development Fund. Other projects to improve supplies of drinking water are found throughout the country. Urban redevelopment, especially in Nouakchott's shantytown areas, received a \$70 million credit from the International Development Agency in 2002. Other major government priorities enjoying significant donor support include:

- Infrastructure (roads, communications, government facilities)
- Agriculture (expansion of arable, irrigation, equipment and machinery)
- Reforestation
- Strengthening of fishing sector and maritime surveillance
- Oil and mineral resources prospecting and exploration
- Health and education (health centers, schools and libraries)
- Institutional development and good governance

MONETARY AND FINANCIAL SECTOR REFORM

The Government's monetary policy is to use indirect controls and allow market forces to operate. In theory, the foreign exchange system has been liberalized, and foreign currencies can be obtained through commercial banks and exchange offices. Local individuals and companies are no longer required to go through the Central Bank to make transfers overseas. In practice, however, the foreign exchange market experienced considerably instability in 2004: foreign exchange supplies through banks, at the official rate, were extremely scarce; access was highly unequal; and the Central Bank was unable or unwilling to supply sufficient foreign currency to the market.

At the same time, banking supervision has been strengthened to encourage the development of an inter-bank market and to ensure bank solvency. Government authorities are also trying to discourage the still overwhelming local preference for payments in cash, and the banking system is gearing up for increased utilization of checks and credit cards in addition to other forms of transfer. Access to credit has also been eased, although interest rates remain extremely high, discouraging many commercial transactions, not to speak of longer-term investments.

BALANCE OF PAYMENTS

For Mauritania, like many primary commodity producers, trade deficits have been the general rule. In 2002, however, the country had a surplus of approximately \$55.6 million, a considerable improvement in relation to previous years. This reflected unusually high fish license payments (\$161.6 million, including EU fishing royalties for 2001-02), which helped counterbalance a sharp decline in the value of fish exports. Reductions in import taxes have encouraged imports (and re-exports to neighboring Mali and Senegal).

FOREIGN TRADE

As a former French colony, most of whose major businesspeople tend to use French as much as Arabic, Mauritania still retains strong commercial ties with France. The French continue to maintain a strong commercial presence through export credits, loans, and economic development assistance. France provided about \$55 million in debt relief to Mauritania, described as "debt relief-development." Under this system, Mauritania's debt owed to France will be progressively cancelled and the credits will be automatically recycled back into the country as grants for different development programs. In 2003, France continued to be Mauritania's top trading partner, and this trend is likely to continue for the foreseeable future. The proximity of the Canary Islands makes Spain another important trading partner.

Trade trends

Despite a reduced debt service burden, slight deficits are expected again in 2004-06. Given surging global demand, the value of iron ore exports should continue to increase. This, however, may be offset by continuing declines in both the quantity and value of exports of fish. Oil exploration and related machinery and equipment imports had contributed heavily to the import bill over the past few years. By 2007, however, with the advent of oil exports, the overall balance should be in surplus again. The declining value of the dollar relative to the euro and yen should help the U.S. increase its market share here vis-à-vis Mauritania's other trading partners.

FOREIGN INVESTMENT

Foreign investment has climbed over the past three years, particularly in the petroleum, mining and telecom sectors, as well as in tourism (especially hotels). Aware of the importance of foreign investment to economic growth, the Government published a Mining Code in 1999 that has been quite successful in promoting new exploration. In 2003, the GOVERNMENT introduced a new investment code, designed to encourage foreign investment as well as local entrepreneurs. In 2004, the U.N. and the International Chamber of Commerce published a "Guide de l'Investissement en Mauritanie"; an English edition is being planned. A strong interest in finding foreign partners is expressed by Mauritanian businesspersons in a wide array of sectors.

Foreign Direct Investment

Unfortunately, no direct foreign investment statistics are available for Mauritania. Major foreign private investors in Mauritania include the following:

Local Affiliate	Foreign parent	Nationality
ORYX-Mauritanie (gas & diesel fuel)	ADDAX & Oryx	Swiss
SIPECO (fish)	Ifafood	France
MAFCI (cement)	n/a	France
SODIAP (fish)	Potarg	Ireland
Famo-Mauritanie (food prod's)	n/a	Morocco

Novotel	Groupe Accor	France
M.C.P. (fish)	CNF	China
DHL	DHL	Germany
Mattel	Tunisie Telecom	Tunisia
Mauritel	Maroc Telecom	Morocco
TOTAL-Mauritanie	TOTAL Oil	France
SMP Atlas	Atlas	Morocco
Grands Moulins (flour)	ACODIS	Belgium
NAFTEC (petroleum products)	NAFTAL	Algeria
Woodside-Mauritania	Woodside Resources	Australia
Dana Petroleum	Dana	Scotland
Maersk (maritime shipping)	Maersk	Denmark
B.H.P.	B.H.P. Minerals	U.S.A.
SOGECO (freight & handling)	N/A	France
Hardman Resources	Hardman Resources	Australia
Thani Investment	Thani Investment	United Arab Emirates
Diamet Minerals	Diamet Minerals	South Africa
UPS	UPS	U.S.A.

ADEQUACY OF THE INFRASTRUCTURE SYSTEM

Mauritania's transportation infrastructure continues to be poor compared to neighboring countries, and infrastructure development (especially road construction and repair) were made top priorities in the 2004-2005 public investment budget.

AIR TRANSPORT INFRASTRUCTURE

Mauritania has one airline company, the recently privatized Air Mauritanie, which provides regular flights between Nouakchott and Nouadhibou, Casablanca, Paris, Las Palmas, Bamako, Dakar, and down the coast as far as Cotonou. Air France also flies to Paris three times a week, and Nouakchott receives weekly flights by Moroccan, Tunisian, Algerian, and Senegalese carriers.

In June 2000, the GOVERNMENT privatized Air Mauritanie, selling 65 percent of its shares to local and foreign companies. The airline has since tried to upgrade its fleet and routes, and is now operating with two Boeing 737s and one Fokker F-28 airplane. In February 2004, Air Mauritania inaugurated its latest Boeing 737-700, acquired via a seven-year lease from International Lease Finance.

Nominally, Mauritania has four international airports, but only Nouakchott serves a wide spectrum of destinations. The Nouadhibou airport is linked only to Las Palmas, that of Atar receives only seasonal tourist charters from Europe, and the Nema airport, also a potential tourist destination, is not currently open to international flights. There are plans to upgrade the secondary airports, and to build a new international airport in Nouakchott, where the existing terminal poses safety and security concerns.

ROADS

The quantity and quality of roads leaves much to be desired, particularly in the interior. The country's size and climatic conditions make maintenance (and travel) particularly difficult. In 2002, the total road network was estimated at 10,282 km, of which only 2,400 km are paved; there is also a 670 km rail line for the transport of SNIM's iron ore from Zouérate to the port of Nouadhibou. All other goods are distributed in country by trucks or planes. The road density is 1 km per 100 km² compared to 3 for ECOWAS countries and almost 5 for Sub-Saharan Africa as a whole. A Government agency, the "Entreprise Nationale de l'Entretien Routier" (ENER) is in charge of road maintenance and repair.

MARITIME TRANSPORT

Mauritania has two major seaports. The Chinese-built deep-water port in Nouakchott, completed in 1986, has a capacity of about 1.5 million metric tons a year. This "Port of Friendship" is the country's main commercial port and receives about 90 percent of the country's imported goods. It frequently receives ships from Europe, Asia, and occasionally the United States. There is no regular shipping service to the U.S., however, and this is a major impediment to the growth of U.S.-Mauritania trade. Maersk Lines does have fairly rapid service to the U.S., although goods must be transited via Algeciras (Spain), Las Palmas, or Dakar.

Mauritania's second major seaport, at the northern, "economic capital" of Nouadibou, contains a number of specialized wharfs, two of which are dedicated to traditional and industrial fishing, one to regular commerce, and another to SNIM's massive iron exports. In 2003, Mauritania obtained 45 million Euros from the European Development Fund to upgrade and extend SNIM's minerals wharf, so vital to the Mauritanian economy. There is also another special port (including major storage facilities) devoted to offloading petroleum products, destined especially for the iron and fishing industries. The GOVERNMENT also plans to build a fourth deepwater quay at the main port that would accommodate ships with up to 12-meter drafts. Another project is removal of the over 100 abandoned boats that litter the Nouadhibou harbor and vicinity, something that the EU seems ready to finance.

MEDIA

Broadcast media in Mauritania -- a single radio and a television station -- remain government-controlled; requests for authorization of other stations have so far been sidelined or denied. Mauritanian Television (TVM) has only one channel but is received via satellite in Mauritania's 12 regional capitals. Radio Mauritanie (RM) has three transmitters (FM, MW, and SW), and its broadcasts are received throughout the country. Most TVM and RM programs are in Arabic, but there are some news broadcasts in French. The three other national languages (Pulaar, Soninke, and Wolof) are also broadcast. Independent newspapers of many stripes, in both French and Arabic, are proliferating, with a few even established outside the capital in Nouadhibou. The newspapers, radio, and television accept advertisements, which may also be communicated through billboards and banners in the major towns.

TELECOMMUNICATIONS

The telecommunications system has undergone considerable modernization and expansion in recent years. Following an initial liberalization beginning in 1999, Mauritania's telecommunications sector now consists of three companies:

- Mauritel, the original national telephone company, now majority-owned by Maroc Telecom, which retains a monopoly over land lines and international calls;
- Mauritel Mobile, a subsidiary, provides GSM mobile phone services; and,
- Mattel, a Mauritanian-Tunisian firm, provides a competing GSM mobile network

As elsewhere in Africa, liberalization and the introduction of mobile phones has permitted dramatic improvements in quality and coverage. Teledensity rose from 0.5 to 5.2 per 100 people between 1998 and 2001. While Mauritel has 38,000 customers, Mauritel Mobile services 270,000 persons, and Mattel another 122,000. The mobile phone companies also service over 20 localities outside Nouakchott. Mauritel, along with Top Technology, is the main Internet service provider; its Internet network (thanks in part to technology supplied in the 1990s by Harris Corporation [USA]) extends to the 12 regional capitals, with international links via France Telecom, Maroc Telecom and Germany's Intelsat. In urban areas, both demand and access fees for the Internet are high, and the capacity of the few local ISPs is stretched to the limit.

As of June 30, 2004, the Mauritanian Government took another major step in liberalization, opening up Internet service and international calls to competition, and granting additional mobile phone licenses. Mauritanian companies are actively seeking U.S. partners to take advantage of these new opportunities.

MAJOR INFRASTRUCTURE PROJECTS UNDERWAY

ROAD PROJECTS

Roads currently under construction or being repaired include the Tidjikja-Chinguitti-Atar axis (445 km), Tidjikja-Aoujeft-Atar (395 km), and Nouakchott-Nouadhibou (470 km). The \$72 million Nouadhibou project, which should be completed in late 2004, will provide the last major link in a modern highway system stretching from Morocco to Dakar. Largely financed by the Arab Fund for Economic and Social Development and the Kuwaiti Fund, it has been carried out by Egyptian and Tunisian contractors, in addition to Mauritanian firms. A bridge over the Senegal River, to replace the old ferry at Rosso, is also projected. Other projects under study are for upgrades of roads from Aioun to Nioro (in Mali), from Kaedi and Kiffa to Selibaby, and the famous "Road of Hope" leading from Aioun to Nema and the Mali border to the West.

POWER GENERATION

As in most countries in the region, electrical power supplies are costly, overstretched, and often unreliable. The national energy company, SOMELEC, has long been reliant on imported diesel fuel for its generators. In November 2003, however, Nouakchott was

connected to hydroelectric energy from the Manantali dam, located on the Senegal River in Mali. The privatization of SOMELEC, planned for 2003, was suspended due to a lack of qualified bidders. Bid documents should be issued again in 2004-05. Meanwhile, the company is working to improve its internal management and expand its power generation capacities. Power stations exist in all twelve regional capitals, and are gradually being extended to smaller towns and villages. Solar and wind power, both of which would be ideal for Mauritania, are still used on only a very tiny scale.

WATER PROJECTS

The nation-wide expansion of potable water supplies has been a major government objective. Projects are continually underway to renovate and maintain the sanitation network, drill wells in the interior, and increase water supplies and storage capacity in Nouadhibou and Nouakchott. Nonetheless, increasing population and demand for water in Nouakchott is fast outstripping the capacities of the Idini aquifer and pumping station, the current major water source.

After years of study, the longstanding idea of supplying the capital with water from the Senegal River is about to materialize. The Aftout Essaheli project, as it is called, is designed to satisfy projected water demand to the year 2020, with possible expansion to cover needs to 2030 as well. Administered by the National Water Company (SNDE), the \$250 million project is expected to take about two years to complete. Major donors include the Arab Fund for Economic and Social Development (FADES) and the Kuwaiti Fund for Economic Development. The project centers on a massive 170-kilometer pipeline, running from a southwestern point on the Senegal River, Aftout. It will also include multiple pumping and treatment stations, a 129,000 cubic meter reservoir, a remote monitoring and control system, and secondary storage and distribution systems for Nouakchott and other localities. As of mid-2004, the project was in the process of selecting a consultant engineer, and expressions of interest were invited from potential bidders on other segments of the project. American suppliers of relevant equipment and expertise should explore this major opportunity.

III. POLITICAL ENVIRONMENT

OVERVIEW

Mauritania is a highly centralized Islamic Republic dominated by a strong presidency. A one-party state virtually from independence in 1960 until July 1978 and a military dictatorship until 1992, Mauritania has made notable but uneven progress since it adopted a democratic constitution in 1991 and held its first multiparty presidential elections in 1992.

The Constitution provides for a civilian government composed of a dominant executive branch, a Senate and National Assembly, and a judiciary. President Maaouya Ould Sid'Ahmed Taya has governed since 1984, first as head of a military junta, and since 1992 as head of an elected civilian government. The President heads the ruling Republican Social Democratic Party (PRDS).

MAURITANIA'S RELATIONSHIP WITH THE UNITED STATES

The United States was the first country to recognize Mauritania's independence, and relations between the United States and Mauritania were cordial for some years. In June 1967, Mauritania broke diplomatic relations with the U.S. to support Arab solidarity during the Israeli-Arab war. U.S.-Mauritanian relations resumed in 1969, but worsened again in 1989-91, due to ethnic clashes and human rights abuses during that period, and the GOVERNMENT's pro-Iraq stance during the First Gulf War. Although the United States had provided about \$100 million in economic and food assistance over the previous decade, the U.S. Government closed the USAID mission in Nouakchott in 1991, ceased economic development military assistance, and suspended Generalized System of Preferences (GSP) privileges.

Since the mid-1990s, relations have gradually improved. Mauritania adopted a democratic constitution, held elections, strengthened democratic institutions, improved its human rights record, and worked to improve the welfare of former slaves. The U.S. restored GSP benefits to Mauritania on June 30, 1999, introduced a short-term EXIM bank credit insurance, resumed OPIC presence, supported debt relief in March 2000 under the HIPC initiative and included Mauritania in AGOA beneficiary countries. In 2001, the U.S. restored military assistance, after establishing a Humanitarian Demining Program in 1999. The GOVERNMENT has consistently supported the Middle East Peace Process and extended full diplomatic relations to Israel in October 1999. The U.S. and Mauritanian governments currently cooperate on a range of international issues and enjoy excellent relations.

MAURITANIA'S POLITICAL SYSTEM

Mauritania is currently among the more stable West African states. A member of both the Arab League and the African Union, Mauritania tends to coordinate with them on multilateral issues. Mauritania is also an observer in the NATO Mediterranean Dialogue. On December 12, 1999, the GOVERNMENT withdrew from the Economic Community of West African States (ECOWAS), primarily due to its opposition to a unified currency. The GOVERNMENT has since sought to strengthen relations with ECOWAS countries

on a bilateral basis, particularly with Senegal and Mali, its partners in the Senegal River Development Organization (OMVS), and with other countries where Mauritania has significant expatriate communities, such as Gambia, Cote d'Ivoire, Guinea Bissau and Benin.

Mauritania's elections present a mixed picture. The 1997 election, in which President Taya was re-elected with more than 90 percent of the vote, was widely regarded as fraudulent. The 2001 municipal and National Assembly elections, however, were considered generally fair, following the introduction of hard-to-falsify voter identification cards and published, revised voter lists. Opposition parties gained significantly, particularly in urban areas, winning 11 National Assembly seats and 15 percent of the municipal posts.

In November 2003, President Taya was reelected for the third time with 67 percent of the vote, accompanied by several reports of fraud. The Government allowed one international organization to observe the election, but it withdrew following arrest of the leading opposition presidential candidate, Mohamed Khouna Ould Haidallah, the day before the election. Although there are numerous opposition parties, the legislature remains overwhelmingly in the hands of the ruling party, the PRDS. In an April 2004 by-election, one opposition candidate succeeded in being elected to the Senate out of 18 seats at stake.

The Mauritanian government's main policy guidelines, presented by the Prime Minister in January 2004, emphasize sustainable development, poverty alleviation, education and health, good governance, infrastructure development, investment climate improvement, and tax reform. At the same time, the concentration of much of the country's wealth in the hands of a small, predominantly White Moor elite, along with a lack of transparency and accountability in certain areas of governance, impede effective democratization and widely shared economic growth. There are concerns that petroleum revenues, if not handled very carefully, could exacerbate inequalities and tensions.

The Constitution provides for an independent judiciary. However, the judiciary is subject to significant pressure from the executive through its ability to influence judges. Civilian authorities retain effective control of the country's armed forces, although a coup attempt involving some units of the armed forces occurred in June 2003. The government's human rights record is mixed: democratic institutions remain fragile, abuses by security forces occasionally occur, and prison conditions are harsh. The government continues to refuse official recognition to some political parties and NGOs. The southern-based ethnic groups remain underrepresented in national politics and cultural life. There is an active independent press, but the Government sometimes censors it.

Mauritania is divided into thirteen regions (called wilayas), including the district of Nouakchott. An appointed governor (wali), who represents the Ministry of Interior, heads each wilaya. Elected local mayors' councils have limited authority and functions, and the central government continues to provide most services. The Mauritanian administration remains highly centralized, with all major offices and agencies headquartered in the capital. Poverty reduction, human rights improvement, health and education development, private sector promotion and decentralization are now among the Government's main concerns.

CIVIL SOCIETY AND BUSINESS-TO-GOVERNMENT DIALOGUE

The government is generally highly favorable to the business community, which it sees as essential to economic growth and poverty alleviation. It has sustained and cordial relations with private business organizations, most notably the "Confédération National du Patronat" (Employers' Association), the "Fédération National des Transporteurs" or FNT (a private transport association, enjoying taxing and regulatory powers), and the Mauritanian Chamber of Commerce, Industry and Agriculture. The Chamber of Commerce was restructured and expanded in 2003, becoming the main interface between the government and the private sector. The monopoly status of the FNT has been widely criticized, but there has not yet been any serious reform.

IV. MARKETING U.S. PRODUCTS AND SERVICES

ESTABLISHING A LOCAL OFFICE

The Government encourages the import of new technologies and the creation of new enterprises. The Investment Promotion Office ("Guichet Unique de l'Investissement") and the Mauritanian Chamber of Commerce offer assistance and advice to those wishing to establish a business office in Mauritania. The Employers' Association, the Chamber of Commerce, and the "Centre d'Information Mauritanien pour le Developpement Economique et Technique" (CIMDET) maintain listings of business consultants and other information useful to companies wishing to do business in Mauritania.

CREATING A JOINT VENTURE

Mauritania's existing joint ventures are primarily with other Arab countries and are mainly in the mineral, fishing, telecommunications, and banking sectors. However, businesses in many sectors seek to expand such ventures with a wide array of foreign partners, including companies from the United States. The government also offers a wide range of incentives to foreign investors.

USE OF AGENTS/DISTRIBUTORS

Local businessmen frequently express interest in representing U.S. companies, and the number of those doing so is growing. Commercial agents are found in many sectors, including computers, vehicles, heavy equipment, oil products, pharmaceuticals, telecommunications, and electronics. In general, these agents have a written contract, and they negotiate sales and purchases on behalf of producers, manufacturers, or dealers. A distributor is an individual or legal entity that purchases goods directly from a producer for the purpose of resale. The distributor operates independently and is only bound by the written provisions of the distribution agreement. In general, either party, without prior notification, may terminate a distribution agreement of specified duration, at the end of the contract period.

FINDING A LOCAL PARTNER AND ATTORNEY

Since Mauritians are very interested in working with foreign firms, finding a local partner is easy. However, one should proceed with caution to select someone capable and honest with proven experience, a good reputation, solid finances, and Government connections. Establishing an enterprise does not require a contract with a lawyer, but consultation with one is advised. The Agent Distributor Service and the Gold Key Service are available from the Commercial Section of the American Embassy in Nouakchott, which also keeps an updated list of local lawyers.

DISTRIBUTION AND SALES CHANNELS

Almost all of Mauritania's imported goods enter Mauritania via Nouakchott's "Friendship Port." From there, they are trucked to wholesalers, distributors, and variously distributed to the retail sector. Much of the import trade is accounted for by large wholesalers, especially those involved in the 10 or so leading family conglomerates that dominate so

much of Mauritania's economy. Agents operating on commission deal mainly in electronic components or heavy machinery and spare parts.

Most goods are retailed through small shops (boutiques), or by vendors in the sprawling, often open-air markets so prominent in Nouakchott and other towns. The informal sector remains pervasive, involved in everything from the sale of livestock and vehicles to spare parts, used clothes, and vegetables. Medium-sized stores and "supermarkets" are increasingly popular, however, especially in Nouakchott.

SELLING FACTORS/TECHNIQUES

Buying decisions in Mauritania are based on habitual preferences for certain styles and countries of origin, along with price, quality, and product expiration date. Labeling should be in French and/or Arabic. Products are often promoted through advertising or through sponsorship of sports or cultural events.

ADVERTISING AND TRADE PROMOTION

There are few qualified advertising agencies in Mauritania. In general, advertising is done in Arabic and French through newspapers, magazines, radio, and TV. There are about 30 newspapers, although no more than a dozen appear with any regularity, and only one private newspaper appears daily. The most prominent newspapers are as follows:

Journal HORIZONS (in French) and CHAAB (the Arabic version) (Official)
B.P. 467
Nouakchott, Mauritania
Tel: [222] 525-5883
Fax: [222] 525-3170/525-4587
Mr. Mohamed Ould Hamady, Director

LE CALAME (Arabic and French versions)
B.P. 1059
Nouakchott, Mauritania
Fax: [222] 525-7555
Mr. Habib Ould Mahfoud, President and Managing Director

LA TRIBUNE
B.P. 6227
Nouakchott, Mauritania
Tel: [222] 525-4492
Fax: [222] 525-0209
Mr. Mohamed Fall Ould Oumère, President and Managing Director

L'Eveil Hebdo
B.P. 387
Nouakchott, Mauritania
Tel & Fax: [222] 525-6714
Mr. Sy Mamoudou, President and Managing Director

Nouakchott Info (private daily, Arabic and French versions)
B.P. 1905

Nouakchott, Mauritania
Tel: [222] 525-0271
Fax: [222] 525-5484
Mr. Cheikhna Ould Nenni, President and Managing Director

Le Journal
Tel: [222] 630-5339
Mr. Yedaly Fall, Managing Director

L'Authentique
Ilot T, Tevragh Zeina, Nouakchott, Mauritania
Tel & Fax: [222] 525-9962
Mobile: [222] 630-3648/651-2130
Mr. Oumar Ould Moctar, Director

L'ESSOR
B.P. 5310
Nouakchott, Mauritania
Tel: [222] 529-1983
Fax: [222] 525-0407
E-mail: lessorjournal@yahoo.com
Mr. Sidi El Moctar Cheiguer, Director

Graphic billboards on major thoroughfares and roadside banners are an important advertising medium for the largely illiterate public. The number of billboards is increasing rapidly in Nouakchott and Nouadhibou, as they are a relatively inexpensive means of advertising. Radio and TV are also used for advertising, but are considered expensive by many local companies. Trade events, such as shows and exhibitions, are limited in Mauritania. The inhabitants of Nouakchott, however, are acquainted with fairs, and they enjoy visiting and buying the products on display. A great deal of information also passes by word of mouth.

GOVERNMENT PROCUREMENT PRACTICES

Government procurement is divided into three distinct categories:

(a) Procurement relating to large development projects (involving more than \$10 million), almost always financed by multilateral institutions (World Bank, Arab Fund, Islamic Bank of Development, African Development Bank, etc.)

(b) Procurement relating to medium and small-scale projects financed jointly by the government and one or more development partners

(c) Procurement relating to small projects valued at less than \$1 million, and generally financed by the government itself

For (a) and (b), procurements are made through foreign government tenders (avis d'appel d'offres). For (c), procurement is made by mutual agreement, without a public tender. Such direct awards are also used for certain sensitive procurements and projects, e.g., relating to security issues.

The Government's Central Procurement Board ("Commission Centrale des Marchés"), which falls under the Prime Minister's authority, is responsible for monitoring compliance with procurement regulations and conducting most government negotiations with foreign suppliers. For large or complex projects, the Government often requires bidders to submit letters of interest, in order to be short-listed prior to the issuance of a restricted tender. This closed bidding has been widely applied in the privatization process in Mauritania. Therefore, it is very important to be informed of the project, and to respond with "expressions of interest," ahead of the published tender. The World Bank is assisting the Central Procurement Board to improve its procedures, the transparency of its operations, and its implementation of existing regulations. The regulations governing the Procurement Board are available at the Investment Promotion Office.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

These market segments offer especially promising prospects for U.S. exporters of goods and services:

- Petroleum equipment and services, especially for offshore operations and telecommunications equipment and services
- Mining equipment (heavy machinery and trucks)
- Tourism
- Construction and waterworks machinery, materials and spare parts
- Computer and telecommunications equipment and services
- Consumer goods, including foodstuffs (especially wheat, flour, rice, frozen chicken), cigarettes, used and new clothing and accessories, and cosmetics.

BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

OFFSHORE PETROLEUM

Mauritania's petroleum sector is poised for a period of strong and perhaps even spectacular growth, currently expected to last for at least up to 20 years. Mauritania's proven oil resources are perhaps still not large enough to attract the great-integrated oil companies, the "majors," but there are ample opportunities for other investors and suppliers. Woodside, the single leading investor, is now putting 50 percent of its new exploration expenditures into Africa, half of which – over \$300 million so far -- is going into Mauritania. The current development and exploration program is committing another \$600 million in the Chinguetti and Tiof fields.

In addition to six production wells, this project includes gas reinjection, four water injection wells, and flow lines to a floating production, storage and off take vessel (FPSO). The FPSO contract has been awarded to Bergesen, a Norwegian company, and drilling ships are expected to arrive starting in August 2004. Woodside, along with Hardman, Dana and others are all looking for new investors, partners and contractors. Shares in the offshore consortia change hands frequently, and existing partners frequently express interest in attracting U.S. investment. Seismic and drilling contractors are also in demand. Woodside has used several American drilling firms, for instance Houston-based Global Santa Fe, whose ship the "Jack Ryan" drilled the Chinguetti 4-5 appraisal and production well, as well as another for Dana Petroleum in Block 7. American firms such as Baker Hughes and Oceaneering also provided specialized technical services and equipment for Woodside's recent drilling campaign. More recently, U.S. firm FMC Technologies won a \$89 million contract for sub-sea hardware, and Halliburton signed on to provide multi-year support services.

MINING

Iron parastatal SNIM spends heavily on equipment and maintenance: investment doubled to \$46 million between 1997 and 1999, and again to \$95 million by 2002, tapering off to \$82 million in 2003. The United States is important as a supplier to SNIM of parts and equipment; it accounted for a third of the parastatal's imports, sourced from over 70 American companies and worth over \$23 million in 2003. Relations are facilitated by the dollarization of SNIM's operations: iron is priced in dollars, and SNIM retains much of its earnings in an overseas Citibank account. The largest Mauritanian importer of U.S.-made equipment, SNIM officials consider its American suppliers as the best.

SNIM deals with about 70 U.S. firms for mining and railway equipment purchases, often contracting for repair and maintenance services as well. Major suppliers for mining inputs include Bucyrus International, Inc., Harnishfeger (P&H), G.M. (Electromotive Division), and Caterpillar. SNIM also buys heavily from the U.S. to maintain its railway line. National Rail Way Equipment, Rail Technology International, Harsco Track Technologies, and Union Switch & Signal are among its major suppliers.

Major purchases from the United States include diesel railroad engines from GM; gigantic Caterpillar bulldozers and trucks; electric loading shovels from P&H, Milwaukee; and rotary blast hole drills from Bucyrus International. SNIM now owns 10 Bucyrus drills. The company's Purchase Officer recently expressed interest in purchasing such products as conveyors belts, grinding balls, sheet steel, and drums and rollers for conveyors.

Once major equipment purchases are made, moreover, they tend to create an ongoing flow not only of spare parts but also of training. Bucyrus, for instance, sends technicians to stay for long periods at Zouérate, and also brings skilled workers to the U.S. for workshops on new equipment and techniques.

TOURISM

Tourism in Mauritania has grown significantly over the past decade -- but American participation, whether as providers or consumers, is almost non-existent. Of the approximately 12,000 tourists expected to visit Mauritania in 2004, some 95 percent are French. The SNIM subsidiary for services and tourism, SOMASERT, began to develop the tourism sector in the mid-1980s, focusing on the old desert oasis towns of the northern region of the Adrar. In 1996, it began to offer cheaply priced charter flights between October and April from Paris and Marseilles to Atar in the desert. From a mere 270 visitors that year, the number of tourists has skyrocketed: 1500 came in 1997-98, doubling again in each of the next two years, and reaching 9000 by 2002. By the 2003-04 season, SOMASERT, in partnership with "Point Afrique" and "Go Voyage" agencies, organized 78 charter flights from France to Mauritania. SNIM has also organized a special desert tourist excursion on the SNIM railroad running between Zouérate and Nouadibou.

Since 1998, seeing the sector's potential for generating employment and foreign exchange, the Mauritanian government has been giving serious attention to tourism, creating a National Tourism Office to give focused support to the sector. Its adventure, cultural and eco-tourism sub-markets are especially promising.

Apart from the desert itself, tourist attractions include the ancient oasis towns of Chinguetti, Wadane, Tichit and Walata, as well as the mountain landscapes found in the central and eastern regions of Tagant, Assaba, Hodh Es-Chargui and Hodh El-Gharbi. The pristine coastline, fishing grounds and bird sanctuaries of the seaside national parks, the Banc d'Arguin and the Parc National du Diawling, offer extremely attractive opportunities. The Banc d'Arguin nature reserve and the ancient towns of Chinguetti, Ouadane, Tichit, and Oualata were declared World Heritage Sites by UNESCO in 1996.

Mauritania's rich musical traditions -- which could provide the basis for world-class music festivals -- have not yet begun to be exploited. An excellent "Festival Nomade" was organized for the first time in 2004, and, if established as an annual event, it could be a significant future destination. Culturally, the country can appeal both to visitors interested in Sub-Saharan Africa, as well as those more focused on the Arabo-Islamic world.

The number of hotels has also increased steadily in recent years, ranging from luxury accommodations in Nouakchott to the more modest inns of the provinces. There is room for much more investment in infrastructure and facilities: accommodations in the smaller towns are still fairly rudimentary, and tourism has hardly even begun to be organized outside a few historic centers in the north. The renovation and extension of the southeastern airport of Nema should have a major impact, opening the region -- with its historic center of Walata -- to international charter flights.

Apart from its intrinsic merits, tourism in Mauritania enjoys several circumstantial advantages. The country is located midway between four already established tourist destinations to which it also has good airline connections: Morocco, the Canary Islands (Spain), Senegal, and Mali. Road connections to the three contiguous countries will soon be quite good as well. (Mauritania is also on the path of the annual Paris-Dakar rally, a 10,000 km. motor race that brings hundreds of vehicles and participants to the region each year.) Apart from a few remote frontier areas, moreover, the country is a haven of relative security and calm: it is politically stable, moderate in both its political and religious temperament, and still has little crime.

BEST PROSPECTS FOR AGRICULTURAL PRODUCTS

The Government's decision in 1989 to eliminate the monopoly of the state food importing company, SONIMEX, had long-lasting effects in stimulating local imports of wheat, flour, rice, and sugar. Mauritania's cereal production in 2003-2004 (176,795 metric tons) covered only about 31 percent of its total needs, requiring an estimated 319,864 metric tons of imports over the same period. This trend is likely to continue for the 2004-2005 period, when a promising harvest was heavily damaged by locusts.

Mauritanian authorities are encouraging private investment in the agricultural sector to modernize production, improve the quality of cereals (mainly rice and wheat), and expand irrigation, processing, and exports. Many farmers are interested in acquiring modern irrigation equipment and combine-harvesters to improve the quality of cereals along the Senegal River Valley. American exporters of agricultural commodities, equipment and technologies, and importers of specialty farm and dairy products, should explore opportunities in this sector.

VI. TRADE REGULATIONS AND STANDARDS

TARIFF AND NON-TARIFF BARRIERS

In spite of relatively high tariffs, import demand is growing. The import tax is usually based on the local market value of the item instead of the amount listed on the commercial invoice. Customs uses a reference list of items with the respective import taxes and duties; tariffs vary according to the importance attributed to the commodity (between zero and 18%, for instance, for "essential" goods). Foreign investors frequently complain of corruption and complexity in customs procedures.

Non-tariff barriers are also significant. As noted earlier, Mauritania's limited infrastructure makes the transport of persons and goods relatively difficult and expensive. Overseas air and maritime transportation is also limited and costly. There are also communication problems. Arabic is the official language, but French is used in almost all international business activities. Only a small (but growing) number of businesspeople can conduct business in English.

CUSTOMS REGULATIONS AND CONTACT INFORMATION

All imported goods, except those previously exempted by law, are subject to import duties. Import duties are generally calculated according to the goods' original invoice price (CIF value). When the buyer does not present the original invoice, the Customs Service evaluates the market value of the product and applies the respective rate. Imported goods must be declared at Customs after landing, and the Société Générale de Surveillance (SGS) inspects their price, quality and quantity and compares these with those reported in the original invoice.

Mauritania's memberships in the World Trade Organization (WTO) and the EU/Africa Caribbean Pacific (EU/ACP) Lomé Pact has supplied some momentum to its trade liberalization policies. However, Mauritania is one of several developing countries benefiting from a ten-year exemption in the application of WTO requirements. Customs procedures are extremely complicated and discouraging for importers who are not familiar with the Mauritanian system. In 2001, the Customs offices were totally computerized, thanks to European Union support, reducing to some extent the administrative complexities and time required.

Customs contact information is as follows:

Colonel N'Diaga Dieng
Directeur Général des Douanes
Boîte Postale 198
Nouakchott, Mauritanie
Tel: [222] 525-1404 or 525-6302; Fax: 525-5615 or 525-6304
Friendship Port Customs Tel: 525-34-18

TARIFF RATES

A major tariff reform was completed in 2002. With the introduction of a "Droit Fiscal à l'Importation," replacing two existing customs duties, the number of different tariffs has been reduced from five to four. The new law facilitates the imports of essential goods and streamlines the system of collecting customs duties. However, duties continue to weigh heavily on importers. The rate ranges from 9 to 27 percent for non-luxury goods according to the nature and importance of the items. Value Added Tax (VAT) rates on imported goods has been generalized to 14 percent. The VAT is not applied to exported goods.

PROHIBITED IMPORTS AND U.S.-IMPOSED EXPORT CONTROLS

In accordance with Islamic strictures, Mauritians are prohibited from importing alcoholic drinks and pork. Imports of firearms are also prohibited. Due to Mauritania's establishment of ties with Israel, the Arab League-imposed secondary and tertiary boycotts against Israel are no longer enforced. There are no restrictions on U.S. exports to Mauritania for non-prohibited goods.

SPECIAL IMPORT/EXPORT REQUIREMENTS AND CERTIFICATIONS

The documents generally required of Mauritanian importers include the commercial invoice, the bill of lading or certificate of origin, and the certificate of inspection given by the "Société Générale de Surveillance." The commercial invoice should contain the name and address of seller and buyer; place and date the invoice was prepared; method of shipment; quantity, description, and price of goods; delivery and payment terms. Payments of large amounts are usually made through irrevocable and confirmed Letters of Credit under the control of the Central Bank of Mauritania or through direct transfer from the bank of the importer abroad to the bank of the exporter. Cash payments are also frequently used for smaller purchases.

To facilitate import procedures, the Minister of Commerce can grant special authorization to Mauritians who do not hold a regular import/export license. In such cases, applicants should specify the quality and quantity of the items, country of origin, and date of import. Importers require pre-shipment inspection and quality control. The certificate of inspection should accompany the imported goods.

FREE TRADE ZONES

There are no free trade zones in Mauritania. However, the new investment code approved in 2001 authorizes for the first time the creation of export processing zones ("Points Francs"). Companies operating under the "Points Francs" regime are exempted from taxes and duties on imported inputs and exported finished products.

ORGANIZATION

A. Overview: Mauritania is in transitional stage with respect to application of WTO regulations and standards. Since the elimination of import-export licenses, most imports do not require preliminary authorization. However, the Government plans to create a government agency to regulate import and export of some products considered to be sensitive, such as live animals, sugar, rice, pharmaceutical products, arms, narcotics and explosives. Mauritania requires pre-shipment inspection of goods costing more than \$5,000 (F.O.B). The imports are inspected again in Nouakchott port by the Société Générale de Surveillance (SGS) to verify their price, quantity, and quality. The

Government intends to extend the role of SGS to other standards controls. The Government also plans to establish a foodstuffs control and fraud repression laboratory.

B. Standards: Mauritania does not yet have a standards system or quality control agency, although one is being planned. Unofficially, French or American security and sanitary norms are often used by major importers (for instance, SNIM) to evaluate goods.

The government agencies that develop trade and investment standards are:

Direction de la Promotion du Commerce Extérieur (DPCE)
Ministère du Commerce, de l'Artisanat et du Tourisme
B.P. 182, Nouakchott, Mauritanie
Tel: (222) 525-3572
Contact: Mr. Mohamed Ould Hitt

Direction de la Promotion de l'Investissement (DPI) (known as "Guichet Unique")
Ministère des Affaires Economiques et du Développement
Tel: (222) 529-0435
Fax: (222) 529-0435
Contact: Mr. Kelly Oumar Sada

Direction of Industry
Ministry of Mines and Industry
B.P. 387, Nouakchott
Tel: (222) 525-7266/525-3351
Fax: (222) 525-6937
Contact: Mr. Mohamed Salem Ould Mamoune, Director

Direction de l'Agriculture
Ministry of Rural Development and Environment
Tel: (222) 525-1500, 529-0808, 525-7989
Contact Mr. Moma Ould Hamahoullah, Director

The DPCE is currently working on various commercial reforms, including procedural improvements, export promotion, and the eventual implementation of WTO regulations and standards. DPI, in conjunction with the U.N. and the International Chamber of Commerce, recently produced a "Guide de l'Investissement en Mauritanie," which should eventually appear in English as well. The Direction of Agriculture plans to publish annual lists indicating vegetable species the importation of which is prohibited, restricted or subject to preliminary authorization.

C. Conformity Assessment: there are no testing laboratories for imported goods. However, the Société Générale de Surveillance (SGS) inspects the conformity of the goods (nature, quality, quantity and price) with the purchase documents (commercial invoice and bill of lading).

D. Product Certification: there are no requirements for product certification. Buying decisions are based on product expiration date, price and quality. Few importers require the use of their personal labeling in packaging.

E. Accreditation: Accreditation bodies for trade regulation and standard monitoring are very limited. To date, there is only the Swiss-based SGS, accredited in Mauritania to inspect imports at the Nouakchott Port, particularly food and pharmaceutical products.

F. Technical Regulations: Proposed changes in technical regulations are usually not published. However, all final regulations are published in the national gazette, the "Journal Officiel de la République Islamique de Mauritanie," and copies are distributed to relevant government agencies.

G. Labeling/Marking: Product literature and labeling should be in Arabic and/or in Latin characters. The labeling should indicate the production and expiration dates, the country of origin as well as the nature, quality and quantity of product in the packaging or container. It is forbidden to import or distribute expired products in Mauritania.

H. Contact information:

Direction de la Promotion du Commerce Extérieur (DPCE)
Ministère du Commerce, de l'Artisanat et du Tourisme
B.P. 182, Nouakchott, Mauritanie
Tel: (222) 525-3572
E-mail: comext@mauritania.mr
Point of contact: Mr. Mohamed Ould Hitt, Director

Direction de la Promotion de l'Investissement (DPI)
Ministère des Affaires Economiques et du Développement
Tel: (222) 529-0435
Fax: (222) 529-0435
Point of Contact: Mr. Kelly Oumar Sada, Director

Chambre de Commerce, d'Industrie et d'Agriculture
B.P. 215, Nouakchott, Mauritanie
Tel and fax: (222) 525-3895
E-mail: chamcom.mr@caramail.com
Point of Contact: Mr. Habib Ould Hemet, Secretary General

Société Générale de Surveillance (SGS)
B.P. 5556, Nouakchott, Mauritanie
Tel: (222) 525-4632
Fax: (222) 525-4631
E-mail: sgs.mauritania.lo@sgs.com
Point of Contact: Madame Catharine Rolland Eldien, Representative

Centre d'Information Mauritanien pour le Développement Economique et Technique (CIMDET)
Tel: (222) 525-8738/529-2882
Fax: (222) 525-8738
E-mail: cimdet@toptechnology.mr
Point of Contact: Mr. Moustapha Sidibé, Director

VII. INVESTMENT CLIMATE

What is often called the 2002 Investment Code was finally approved and published (in French and in English), in 2003. The new code is designed to encourage direct investment, facilitate administrative procedures, and enhance investment security. Direct investments are considered to be contributions in kind, labor, or capital that investors undertake, whether individuals or legal entities, and regardless of nationality, residence, or scale of the investment or enterprise (Art. 1).

OPENNESS TO FOREIGN INVESTMENT

GOVERNMENT ATTITUDE TOWARD FOREIGN DIRECT INVESTMENT

The GOVERNMENT encourages foreign direct investment, pursues economic liberalization, and sees the private sector as the main engine of economic growth. The new investment code has reorganized the legal and institutional framework, extending the capacity of the Consolidated Office for Investments — a "One-Stop Shop" (Guichet Unique) for potential investors. The creation of the "Guichet Unique" simplifies and facilitates:

- Applications for investment licenses
- Administrative formalities and procedures
- Establishment of business enterprises
- Acquisition of work permits for foreign nationals

LAWS, RULES AND REGULATIONS GOVERNING INVESTMENT

Privatization, liberalization, and incentives to investment have figured prominently in Mauritania's World Bank and IMF-inspired economic programs. The following are the legal guarantees now offered to any entity wishing to invest capital under the new investment code:

- Freedom of establishment and capital investment, in accordance with the laws and regulations in place (Art. 3.1);
- Freedom to transfer foreign capital (Art. 5.1);
- The ability to transfer professional income of foreign employees (Art. 5.2); and,
- The equal treatment of Mauritanian and foreign individuals and legal entities (Art. 6).

The new investment code applies to all sectors of the national economy, with the exception of the following sectors, which are exempt:

- Purchasing for resale on the local market without further processing;
- Activities governed by the current legislation on banking regulations, except for leasing activities;
- Activities governed by the current regulations on insurance and reinsurance; and,
- Activities in the mining and hydrocarbons sectors.

SCREENING MECHANISMS FOR FOREIGN INVESTMENT

The Consolidated Investments Office (or One-Stop Shop) created in 1998, selects and recommends major investment projects to the Council of Ministers, whose meetings are chaired weekly by the President. Vendors for large, government-directed projects are usually selected through a tender process. After issuing an invitation to tenders, the Central Market Commission ("Commission Centrale des Marchés") selects the offer that best fulfills Government requirements. The screening process should be routine and non-discriminatory.

SECTORAL OR GEOGRAPHIC PREFERENCES

No sectors are closed to investment. The mining, fishing, banking, energy and tourism sectors actively seek foreign direct investment. The new investment code identifies activities eligible for the Duty-Free Zones Program ("Points Francs"), which guarantees certain advantages, such as exemption from export duties and taxes (Art. 8.1). Under this, the Government provides incentives for businesses that produce goods and services intended exclusively for export, and/or that develop exports of Mauritanian-manufactured products.

DISCRIMINATION AGAINST FOREIGN INVESTORS

Foreign investors receive the same treatment as Mauritanian investors, subject to the provisions of treaties and agreements concluded by the Government with other countries (Art. 6.1, 6.2 and 6.3). Foreign investors have the same access as Mauritians to courts of law (Art. 7.1). Nonetheless, the success of foreign investors can be attributed in large part to their successful collaboration with local partners who understand the local market and government.

DISCRIMINATORY OR PREFERENTIAL IMPORT/EXPORT POLICIES FOR FOREIGN INVESTMENT

With the exception of fishing boats, where foreign investment is limited to a 49 percent share, Mauritania has no discriminatory policies against foreign investment, imports, or exports. Mauritania is a signatory of the EU/ACP Lome Convention, which gives underdeveloped nations certain advantages and preferential treatment when exporting or importing some products to or from EU member countries. Mauritania is also a member of the Arab Maghreb Union, which was created in 1988 to work toward the political and economic integration of Algeria, Libya, Mauritania, Morocco, and Tunisia. Stated economic goals include a common market with a single currency, Maghreb-wide corporations, unified customs zones, and freedom of movement for capital and individuals.

In 1996, Mauritania became a member of the Multilateral Investment Guarantee Agency (MIGA), which protects direct foreign investment against political risks. Mauritania also has bilateral agreements with France, Belgium and Romania for investment promotion and protection. Other agreements exist with Burkina Faso, Cameroon, Gambia, Ghana, and Mauritius. Negotiations are underway for investment treaties with South Africa, Egypt, Italy and Malaysia.

CONVERSION AND TRANSFER POLICIES

There are no legal or policy restrictions on converting or transferring funds associated with an investment. Any investor is guaranteed the free transfer of convertible currencies at a legal market rate, subject to the availability of such currencies. Similarly, foreigners working in Mauritania are guaranteed the prompt transfer of their professional salaries. (Art. 5.2).

In theory, the local currency, the ouguiya, is freely convertible within Mauritania. (It is illegal to export ouguiyas.) Hard currencies can be found, in principle, either in commercial banks or in private exchange offices. In practice, they may be difficult to obtain, and individuals and smaller companies may have to resort to informal markets, and pay considerably more than the official rate (approx. 270 ouguiya to the dollar).

EXPROPRIATION AND COMPENSATION

The new investment code ensures that, if the Government expropriates private property, the Mauritanian government will provide appropriate and prompt compensation, exempt from duties and taxes (Art. 4, 5.1).

Only one government expropriation has occurred since independence: the takeover of the French mining company, MIFERMA, in November 1974. Compensation was paid by mutual agreement between the two parties. A major contract with a British company for national petroleum supplies, along with storage and refining facilities in Nouadibou, was annulled by the MR government in 2003; again, compensation was negotiated and paid.

DISPUTE SETTLEMENT

Disputes between individuals or legal entities and the Government related to the investment code are settled by an arbitration procedure to which both parties have agreed, and in accordance with the following agreements (7.2):

- The 1965 Convention on the Settlement of Disputes Related to Investments between States and Nationals of other States
- The 1958 UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards
- Other agreements and treaties which have been concluded between the GOVERNMENT and the State of the concerned individual or legal entity and which address the protection of investments

Absent other arrangements between the parties, an ad-hoc arbitration court will be set up in accordance with the rules of arbitration of the United Nations Commission on International Trade Law (Art. 7.2.c)

PERFORMANCE REQUIREMENTS/INCENTIVES

As noted earlier, Mauritania is in a transitional period with respect to application of its WTO commitments. The Government offers tax benefits, including exemptions in some instances, to enterprises in the priority sectors listed in its investment code. In the case

of imported "dumped" goods, deemed to be competing unfairly with a priority enterprise, the Government will respond to industry requests for tariff surtaxes. Priority enterprises thus enjoy some potential protection from competition. During all or part of their first three years of operation, they can request that a tariff be levied on competing imported products. The Government is often willing to provide free land for industrial and farming investments.

There are no performance requirements beyond those that might be indicated in individual investment agreements. There are no requirements for local financing (except, again, with respect to fishing boats). There are some rules governing the percentage of host country nationals employed, but the Government is flexible on this matter. Industrial fishing crews are encouraged to have, on average, five Mauritanian crewmembers per vessel.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Foreign and domestic private entities have the right to establish and own business enterprises, engage in all forms of remunerative activity, and freely acquire or dispose of business interests, provided they respect the law and regulations in force in Mauritania (Art. 3.1 and 3.2). The privatization and liberalization programs have also helped put private enterprises on an equal footing with respect to access to markets and credit.

PROTECTION OF PROPERTY RIGHTS

Property rights are protected under the Mauritanian civil code, which is modeled on the French one. However, biased application of the law by the Mauritanian judiciary has been a problem for some local companies. In practice, it is very hard to gain redress of grievances through the courts.

Mauritania is a member of the MIGA and the African Organization of Intellectual Property (OAPI). In joining the latter, member states agreed to honor intellectual property rights principles and to establish uniform procedures of implementation. These international agreements include the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Hague Convention for the Registration of Designs and Industrial Models, the Lisbon Convention for the Protection and International Registration of Original Trade Names, the World Intellectual Property Organization, the Washington Treaty on Patents, and the Vienna Treaty on the Registration of Trade Names.

TRANSPARENCY OF THE REGULATORY SYSTEM

Privatization and liberalization have been underway since 1989. In the process, the Government has adopted laws that discourage anti-competitive practices and that authorize the creation of consumer interest groups. In 1999 the Government created an "Autorité de Régulation," an agency charged with overseeing the privatization process.

In 1997 the Government established the Mauritanian Investment Window, in order to streamline bureaucratic procedures for investment. This one-stop shop was intended to enable investors to comply with Government requirements at a central location. This office has since been renamed the Consolidated Investments Office, and its services have expanded. Since 1998, this office has approved several industrial projects affecting all sectors of the economy.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Government policies permit and encourage, in principle, the free flow of financial resources. Credit is extended on market terms and there are no restrictions on access by foreign investors. Most foreign investors, however, prefer external financing, due to the high interest rates and procedural complexities that prevail locally.

The government has emphasized banking sector reform. Considerable restructuring has occurred, and, with the introduction of computerization, banking management has improved. Both the accounting system and regulations covering investments are based on the French model. Nevertheless, deficiencies persist in the enforcement of laws and regulations.

No laws or regulations authorize private firms to adopt any articles of incorporation or association that limit or prohibit foreign investment, participation, or control. There are no private sector or Government efforts restricting foreign participation in setting industry standards. There are no "cross-shareholding" arrangements or "stable shareholder" arrangements used by private firms to restrict foreign investment through acquisitions.

POLITICAL VIOLENCE

There is minimal political violence in Mauritania. A failed coup attempt in June 2003 saw fighting between government and rebel forces, but there have been no incidents in recent years involving damage to projects or installations. There are no nascent insurrections, belligerent neighbors, or other politically motivated destabilizing activities in Mauritania.

CORRUPTION

Corruption exists at all levels of government and society. While Mauritania has laws, regulations, and penalties against corruption, enforcement is quite limited. As a result, wealthy business groups and GOVERNMENT officials receive favors from authorities, while meager salaries foster corruption at lower levels. Although new anti-corruption laws are being drafted, giving or accepting bribes is not considered criminal under current Mauritanian law.

Mauritania is not a signatory to the OECD Convention on Combating Bribery. However, no U.S. firm represented here has identified corruption as a major obstacle to foreign direct investment. Corruption is most pervasive in government procurement, bank loans, fishing license attribution, land distribution, and tax payments. The Ministry of Justice and the Ministry of Interior are the two official entities tasked with combating corruption, but their activities are episodic. There is no systematic annual auditing of government accounts. The only international organization for transparency that operates in Mauritania is the Swiss-based SGS, confined to the inspection of imports.

BILATERAL INVESTMENT AGREEMENTS

Mauritania has bilateral investment agreements with member countries of the Arab Maghreb Union as well as with Saudi Arabia. Since 1987, the Government signed three fishery agreements with the European Union, the last covering the period 2001-2006. Mauritania has no bilateral investment or taxation treaties with the United States.

OPIC

Mauritania currently qualifies for OPIC coverage. Potential investors should contact OPIC directly for guidance.

LABOR

There is a shortage of skilled workers and well-trained technical/managerial personnel in most sectors of the economy except the mining sector. However, professional training centers exist in Nouakchott and Nouadhibou; any company or Government agency interested in improving its employees' skills can do so. Mauritania's population is quite young, with 64 percent of its citizens under 25. Government sources estimate that unemployment for males over 18 runs as high as 40 percent.

In consultation with the country's three labor confederations and the employers' federation, the Government issues laws governing employer-employee relations in the public and private sectors. The most recent agreement, the 1974 Collective Labor Convention, establishes a broad array of employee benefits, including paid maternity leave. The original labor code of 1963 is still in force. Expatriate employment requires a work permit, renewable every year, from the Ministry of Labor.

The minimum wage statute is based on a system of job classification defined in the labor code. These wage rates are revised periodically after agreement between the labor and employers' unions and the Government. The last revision, in March 2000, set the minimum wage at 10,662 Ouguiya (\$40) per month. In reality, minimum wages in the public and informal sectors are now about 15,000 ouguiya (\$56), and around 25,000 ouguiya (\$94) in the private sector.

FOREIGN TRADE ZONES/FREE PORTS

There are no duty-free import zones. However, the new investment code has introduced for the first time the Duty-Free Points ("Points Francs) for exporter companies exclusively. Article 8 of the Code mentions the companies eligible for participation.

VIII. TRADE AND PROJECT FINANCING

BRIEF DESCRIPTION OF THE BANKING SYSTEM

With only eight commercial banks, six insurance companies, three credit agencies, and one leasing company, Mauritania's financial sector remains underdeveloped. Previously modeled on the French system, the banking sector has now been restructured and privatized. The Government has sold its equity stake in commercial banks and insurance companies. Consequently, banks have considerably increased their capital and instituted stricter management. They have also begun to receive more customer deposits and to make more rational credit decisions. The Central Bank remains the banking regulatory agency, controls interest rates, commercial bank reserve requirements, and financial and credit management. The Deputy Governor is the president of the Banking Commission in charge of banking system control.

The banks' financial statements are in compliance with international standards and are annually audited by local accounting firms. In practice, the major shareholders of banks tend to obtain a large share of loans, foreign currency and other bank resources for their private affairs, to the detriment of those without special contacts. The government encourages the creation of popular savings and loan institutions to diversify the financial sector and help persons with small accounts.

FOREIGN EXCHANGE CONTROLS AFFECTING TRADE

As mentioned above, there are no formal restrictions on transfers of profits or repatriation of capital, royalties, or service fees, provided the investments were authorized and made through approved banks. The foreign exchange system was partially liberalized in 1996, making the ouguiya convertible inside Mauritanian territory. Authority to buy and sell foreign exchange has been delegated to the commercial banks and exchange offices, which, normally, carry out transactions upon presentation of appropriate justifying documentation, such as invoices to pay for imports and customs documents. Currently, the Government is combating the parallel market for foreign currency, where the disparity between the official and black market rates is currently about 20-25 percent.

GENERAL AVAILABILITY OF FINANCING

Local financing is limited for Mauritanian importers. Without a guarantor, importers may access bank loans only at high interest rates (24 percent on average) and for short periods (six to twelve months). However, these conditions vary between banks and are negotiable.

FINANCING AND METHODS OF PAYMENT TO EXPORT FROM MAURITANIA

Most Mauritanian importers finance their transactions through irrevocable and confirmed letters of credit issued by local banks. The bank transfer system is also used when required. Some Mauritanian importers hold bank accounts abroad (in France, Spain, Switzerland, or an Arab country) that allow them to pay for their imports directly without involving local banks. Since the exchange system was liberalized, most small imports are paid for in cash.

AVAILABILITY OF PROJECT FINANCING FROM MULTILATERAL SOURCES

Mauritania's self-financing is insignificant when compared to its financial needs. Overseas direct assistance and loans represent about 85 percent of its investment budget. Major multilateral lenders are the World Bank's International Development Agency (IDA), IMF, the Kuwaiti Fund (FADES), African Development Fund, African Development Bank, European Investment Bank, Islamic Development Bank, and French Cooperation. In 1999, EXIM bank restored coverage of short-term projects in the public and private sectors, and introduced a pilot program for Africa that included Mauritania. OPIC coverage has also been restored.

TYPES OF PROJECTS RECEIVING FINANCING SUPPORT

Projects financed in 2003 and 2004 include urban development and infrastructure (road construction and repair, airport renovation and extension, port of Nouadhibou extension), irrigated agriculture, maritime surveillance and improvement of fishing ports, drinking water supply, environmental protection, education, and health. Apart from the French and multilateral funds noted above, Japanese and German aid financed important projects in the areas of drinking water supply and agriculture.

BANKS WITH CORRESPONDENT U.S. BANKING ARRANGEMENTS

Banque Mauritanienne pour le Commerce International (BMCI):

- American Express Bank

Banque Nationale de Mauritanie (BNM):

- Bank of America

Banque Al-Baraka Mauritanienne Islamique (BAMIS):

- Arab-American Bank of New York

Banque pour le Commerce et l'Industrie (BCI):

- Citibank

Generale de Banque de Mauritanie (GBM):

- Citibank

IX. BUSINESS TRAVEL

Mauritanian businesspeople are becoming more familiar with international business standards. However, American visitors may encounter differences in business and cultural practices. While Mauritians are generally tolerant and understanding of cultural differences, the following points may improve the chances of a successful business trip to Mauritania.

BUSINESS CUSTOMS

Mauritania is a Muslim country, and consumption of alcohol and pork are forbidden for Mauritians. The most important characteristic of Mauritanian business practices is courtesy. A handshake is customary upon initiating and closing a business meeting. Occasionally, one may encounter a conservative who will not shake hands with a person of the opposite sex, so it is preferable to wait for a cue from him or her. A polite Mauritanian will ask you several times, possibly in different ways, how you are. Business encounters should begin with a substantial period of small talk or repartee to make the Mauritanian feel at ease.

Rank and protocol are important to Mauritians, and they often (mistakenly or not) believe that they need to work directly with a CEO to make business happen. Business discussions in hotel conference rooms are appreciated. Mauritians are in general hospitable; they often offer a dinner of mechoui (grilled lamb) to their business partners/visitors, and would expect to be treated similarly when they are in the United States. Meals are never shared on a "Dutch treat" basis.

TRAVEL ADVISORY AND VISAS

Although Mauritania is a relatively safe environment, visitors are encouraged to register at the consular section upon arrival and/or consult the Department of State's web site at <http://www.travel.state.gov> for general and country-specific travel information. To enter, you must have a valid visa, which may be obtained at the Mauritanian Embassy at 2129 Leroy Place, NW, Washington, DC 20008, tel. 202-232-5700. Yellow fever vaccination must be noted on a WHO card. Malaria is prevalent in the south, and malaria prophylaxis (mefloquine) is recommended.

HOLIDAYS

The 2004 official holidays and other days on which Government offices and private establishments are closed are:

- January 1 (New Year's Day)
- February 1* (ID EL Adha)
- February 22 * Muslim New Year

- May 1 (Labor Day)
- May 2* (Id El Maouloud)
- May 25 (Africa Day)
- November 14* (Id El Fitr)
- November 28 (Independence Day)

Holidays with an asterisk (*) are based on sightings of the moon. They may vary slightly from the dates published, and change year by year. Such holidays may last two to three days when they fall on the weekend.

Mauritania is on Greenwich Mean Time (GMT) and does not observe Daylight Savings.

WORK WEEK

Businesses operate from Sunday to Thursday. Official business hours in Mauritania are generally 8:00 a.m. to 4:00 p.m., though many people get a late start. Walk-in hours at banks are 8:00 a.m. to 1:00 p.m. The exchange offices are open all day long from 8:00 am to 7:00 pm, and many private shops and services are open until late into the night.

LANGUAGE

Arabic is the official language, but international business beyond the Arab world is often conducted in French. Product literature should be in French, and, if possible, Arabic. The other national languages -- Pulaar, Soninké, and Wolof -- are widely spoken in the south and center of the country.

HOUSING

Spacious apartments and houses of high quality are available in Nouakchott and Nouadhibou. Rents are linked to house size and location; they have been inexpensive by American standards, but are rapidly increasing.

HOTELS

There are several international-standard hotels in the major cities:

In Nouakchott:

Hotel MERCURE

Tel: [222] 529-50-59

Hotel Halima

Tel: [222] 525-79-20/21; Fax: [222] 525-79-22

Monotel

Tel: [222] 525-35-26; Fax: [222] 525-18-31

Houda Hotel

Tel: [222] 525-91-71/80; Fax: [222] 525-20-11

Hotel Oasis

Tel: [222] 525-20-11

Apts. Chez Guebala

Tel: [222] 525-80-38

Residence Ambassador Apts

Tel: [222] 525-92-50

NOVOTEL
Tel: (222) 525-7400

SEMIRAMIS
Tel: (222) 529-1397

Park Hotel
Tel: (222) 525-1444

In Nouadhibou:

Hotel Oasian
Tel: [222] 574-90-29; Fax: [222] 574-2995

Hotel Nakhil
Tel: [222] 574-6497; Fax: [222] 574-6595

HEALTH

There are six overcrowded government hospitals and about 22 private clinics in Nouakchott and Nouadhibou. Some clinics provide Western-standard health services. The telephone numbers of the hospitals and private clinics are available at the U.S. Embassy. Medicines are sold over the counter in small drugstores in Nouakchott and Nouadhibou. Health concerns include malaria, diarrhea, hepatitis, meningitis, typhoid fever, yellow fever, intestinal parasites, schistosomiasis, rabies, tuberculosis, and AIDS. Yellow fever immunization is required. Validation for cholera may be required for entry. Immunizations recommended include hepatitis A and B, tetanus and diphtheria (Td), polio, and typhoid. Children should be up to date on all immunizations recommended for their age group.

TEMPORARY ENTRY OF GOODS

Personal effects, including professional equipment, that are carried by hand or in luggage may be temporarily imported into Mauritania free of duties and taxes under the Customs Convention on Temporary Importation of Professional Equipment. Goods imported for exhibitions may enter under an ATA carnet, which may be obtained from the U.S. Council of the International Chamber of Commerce.

X. ECONOMIC AND TRADE STATISTICS

COUNTRY DATA

Population:	2.7M
Population growth rate:	2.9%
Area:	1,085,760 sq. km. (419,229 sq. mi.)
Religion:	Islam
Government system:	Democratic republic President: Maaouya Ould Sid' Ahmed Taya Prime Minister: Sghair Ould M'Bareck
Languages:	Arabic (official), French (business), Pulaar, Soninké, and Wolof (national)
Climate:	Hot and dry in most parts of the country
Work Week:	Sunday – Thursday, generally from 8:00 a.m. to 4:00 p.m.

Sources: Ministry of Economic Affairs and Development, National Office of Statistics

DOMESTIC ECONOMY

(in \$ millions, unless otherwise noted)

	2001	2002	2003 est
GDP (at current prices)	985	989	1,017
GDP growth rate (%)	5.3	3.6	4
GDP per capita (\$)	365	366	377
Balance of Payments (as % of GDP)	(6.6)	5.6	(2.1)
Inflation rate (%)	4.7	4.2	6.5
Average exchange rate (ouguiya/\$)	255	272	275
Official Reserves (months of imports)	6.8	8.7	7.2
GDP Structure in 2002			

Primary Sector: 18.7% (of which livestock, 14.2%)

Secondary Sector: 26.5% (of which mining, 11%)

Tertiary Sector: 45% (including public administration [11%] and commerce and related services [17.8%])

Sources: Ministry of Economic Affairs & Development and IMF Statistical Appendix

TRADE

(In \$ millions)

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Total exports	338	330	305
Total imports	372	418	376
U.S. exports to Mauritania	25.1	22.6	34.2
U.S. imports from Mauritania	0.3	0.9	0.9
U.S. share of Mauritania's imports (%)	6.7	5.4	9.1

Principal Exports in 2002: fish (43.4%) and iron ore (55.6%)

Principal Imports: foodstuffs, machinery, vehicles and spare parts, oil, tools, construction materials, clothing, and electronics

Major suppliers: France, Germany, Japan, Spain, USA and Belgium.

Principal U.S. exports to Mauritania: heavy vehicles, machinery, mining equipment and supplies, cigarettes, communications equipment and supplies, airplane spare parts, electronics, used clothing and shoes and miscellaneous tools

Principal U.S. imports from Mauritania: Frozen shellfish and personal items.

Source: Customs Bureau Computerized Project (SYDONIA): 2002 and 2003 reports and IMF Statistical Appendix Paper 2003.

XI. U.S. AND COUNTRY CONTACTS

U.S. MISSION IN MAURITANIA

American Embassy
2430 Nouakchott Place
Washington, DC 20521-2430
Tel: (222) 525-26-60; 25-26-63
Fax: (222) 525-15-92

Ambassador:
Joseph LeBaron

Deputy Chief of Mission:
David Brown

Consular and Economic Officer
Katharine Moseley; Email address: MoseleyKP@state.gov

USEFUL CONTACTS IN THE UNITED STATES

- U.S. Department of Commerce
International Trade Administration
Office of Africa, Mauritania Desk
Tel: (202) 377-4388

- The Mauritanian Embassy
2129 Leroy Place, N.W.
Washington, D.C. 20008
Tel: (202) 232-5700

For additional information or assistance, please contact the U.S. Department of Commerce Export Assistance Center nearest you.

MAURITANIAN GOVERNMENT AGENCIES

Investment Promotion Office (Guichet Unique des Investissements)
Ministère des Affaires Economiques et Développement
Boite Postale (B.P.) 238
Nouakchott, Mauritanie
Tel: [222] 529-04-35
Fax: [222] 529- 04-35
E-mail: UCP@OPT.mr
Mr. Kelly Oumar Sada, Director

Mauritanian Chamber of Commerce and Industry
B.P. 215
Nouakchott, Mauritanie
Tel: [222] 525-22-14
Fax: [222] 525-38-95
E-mail: chamcom.mr@caramail

Mr. Mahmoud Ould Ahmedou, President
Mr. Habib Ould Hamet, Secretary General

Customs Office
Direction Generale des Douanes
Ministère des Finances
B.P. 198
Nouakchott, Mauritanie
Tel: [222] 525-14-04 or 525-63-02
Fax: [222] 525-63-04
Colonel N'Diaga Dieng, Director

Direction of Mines and Geology
B.P. 199
Nouakchott, Mauritanie
Tel: [222] 525-3225
Fax: [222] 525-3225
E-mail: dmg.sigm@mauritel.mr
Mr. Wane Ibrahima Lamine, Director

National Statistics Office
B.P. 240
Nouakchott, Mauritanie
Tel: [222] 525-30-70, 525-39-26, or 525-51-70
Mr. Sidina Ould N'Dah, Director

Regulatory Authority
Tel: [222] 529-1241
Fax: [222] 529-1279
E-mail: kerkoub@mauritel.mr
Mr. Sidi Abdallah Ould Kerkoub, Director

Centre d'Information Mauritanien pour le Developpement Economique et Technique
(CIMDET)
B.P. 2119
Nouakchott, Mauritanie
Tel: [222] 525-87-38
Fax: [222] 525-86-48
Email: cimdet@pactec.org
Mr. Mr. Moustapha Sidibé, Director

Office National du Tourisme
B.P. 2884
Nouakchott, Mauritania
Tel: [222] 529-0344
Fax: [222] 529-0528
E-mail: ont@mauritel.mr
Mr. Mohamed El Moctar, Director Studies and Development

MAURITANIAN PRIVATE AGENCIES

Mauritanian Employers Association
B.P. 383
Nouakchott, Mauritanie
Tel: [222] 525-21-60 or 525-33-01
Mr. Mohamed Ould Bouamatou, President
Mr. Seyid Ould Abdellahi, Secretary General

Mining and Industry Association
B.P. 3475
Nouakchott, Mauritanie
Tel: [222] 525-39-74
Mr. Lafdal Ould Bettah, President

Fishing National Association
B.P. 43
Nouadhibou, Mauritanie
Tel: [222] 574-50-89
Fax: [222] 574-54-30
fnp@toptechnology.mr
Mr. Mohamed Mahmoud Sidina Sadegh, Secretary General

Societe Nationale Industrielle et Minière (SNIM)
Tel: [222] 525-22-54
Fax: [222] 525-36-89
Mr. Mohamed Saleck Ould Heyine, Manager

Arab Authority for Agricultural Investment and Development
Tel: [222] 525-92-37
Fax: [222] 525-92-37

INTERNATIONAL INSTITUTIONS

World Bank
Tel: [222] 525-10-17 or 529-13-59
Fax: [222] 525-13-34
Yves Duvivier, Representative

International Monetary Fund
Tel: [222] 529-7203/04
Fax: [222] 529-7057
Vacant

UNDP
Tel: [222] 525-24-09 or 525-24-11
Fax: [222] 525-26-16
Celine Molinier, Representative

COMMERCIAL BANKS

Banque Mauritanienne pour le Commerce International (BMCI)

B.P. 622

Nouakchott, Mauritania

Tel: [222] 525-43-49, 525-43-50, or 525-43-51

Fax: [222] 525-20-45

Mr. Moulay Abass, President

Banque Nationale de Mauritanie (BNM)

B.P. 614

Nouakchott, Mauritania

Tel: [222] 525-26-02 or 525-27-07

Fax: [222] 525-33-97

Mr. Mohamed Ould Noueigued, President

Banque Al Baraka Mauritanienne Islamique (BAMIS)

B.P. 650

Nouakchott, Mauritania

Tel: [222] 525-14-24 or 525-22-66

Fax: [222] 525-16-21

Mr. Mohamed Ould Taya, General Manager

Generale de Banque de Mauritanie (G.B.M.)

B.P. 5558

Nouakchott, Mauritania

Tel: [222] 525-36-36

Fax: [222] 525-46-47

Mr. Mohamed Ould Bouamatou, President

Banque pour le Commerce et l'Industrie (B.C.I.)

Avenue Gamal Abdel Nasser, no.120

Nouakchott, Mauritania

Tel: [222] 529-28-76

Fax: [222] 529-28-77

Mr. Isselmou Ould Tajidine, President

Banque Al Amana pour le Developpement et l'Habitat (BADH)

B.P. 5559

Nouakchott, Mauritania

Tel: [222] 525-5953

Fax: [222] 525-3495

Mr. Mohamed Ould Oumarou, General Manager

Chinguitty Bank

B.P. 626

Nouakchott, Mauritania

Tel: [222] 525-2165/525-2173

Fax: [222] 525-3382

Mr. Daw Amar Abdallah, General Manager

BACIM Bank
B.P. 913
Nouakchott, Mauritania
Tel: [222] 529-1900
Fax: [222] 529-1360
Mr. Cheikhna Ould Derwich, General Manager

AMERICAN COMPANIES AND TRADEMARKS REPRESENTED IN MAURITANIA

Caterpillar
Tel: [222] 525-74-56
Fax: [222] 525-74-55
Mr. Bechir El Hassen, SDPA, Agent/Distributor

Dell, Echostar, Hewlett-Packard, Lanier, 3M
Tel: [222] 525-57-94
Fax: [222] 525-57-95
Mr. Echbih Ould Ahmed Saleck, Top Technology, Agent/Distributor

Harris Corporation
Tel: [222] 525-19-46
Fax: [222] 52554-94
Mr. Chighali Ould Amara, Partner

IBM
Tel: [222] 525-29-24
Fax: [222] 525-18-31
Mr. Elimane Kane, Agent/Distributor

MEDISCO Healthcare Pharmacy
Tel: [222] 525-72-89
Mr. Mohamed Mahmoud Ould Cheikh Abderrahmane, Agent/Distributor

Mining Services International
Tel: [222] 525-75-31
Fax: [222] 525-75-31
Mr. Nouredine Ould Allaf, Partner

Philip Morris
Tel: [222] 525-39-60
Fax: [222] 525-11-59
Mr. Mohamed Ould Bouamatou, Agent/Distributor

Phyto-Riker Pharmaceuticals
Tel: [222] 525-50-19
Dr. Cheikh Brahim Ould Taki, Agent/Distributor

UNISYS
Tel: [222] 525-94-34
Fax: [222] 525-90-25
Mr. Abdallahi El Moctar, Agent/Distributor

UPS

Tel: [222] 525-29-28-89

Fax: [222] 525- 56-57

Mr. Ahmed Baba Ould Azizi, TRANSAC, Representative

WANG

Tel: [222] 525-13-63

Fax: [222] 525-13-64

Mr. Saleh Ould Oubeid, Agent/Distributor

Atlantic Motors

Tel: [222] 525-27-40

Mr. Sid'Ahmed Ould Abeidna, Agent/Distributor

Sources: Chamber of Commerce (CIMDET) and Embassy Commercial Library

XII. MARKET RESEARCH

Upcoming Industry Sector Analyses (ISA):

- Mining industry
- Agricultural sector

Available Industry Market Insights (IMI):

- Fishing sector opportunities - August 04
- Telecommunications sector privatization - June 04
- Petroleum sector expansion - April 04

XIII. TRADE EVENT SCHEDULE

There are no trade shows scheduled at the moment. However, Post is planning to create a U.S.-Mauritanian Business Council, which may promote trade events in the future.